

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

ORIGINAL

DEPARTMENT OF TRANSPORTATION

99 FEB 11 PM 4: 23

DOCKET SECTION

Docket OST-98-4328 -10

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Application of)
)
AMERICAN AIRLINES, INC.)
)
under 49 U.S.C. §40109 for an exemption and)
frequency allocation (Chicago-Moscow))

Joint Application of)
)
AMERICAN AIRLINES, INC.)
and)
FINNAIR OYJ)
)
under 49 U.S.C. §40109 for exemption (U.S.-Riga,)
Latvia; Tallin, Estonia; and St. Petersburg, Russia)
via Helsinki (code sharing with Finnair Oyj)))

Docket OST-98-4522 -10
and
Undocketed

CONSOLIDATED ANSWER OF UNITED AIR LINES, INC.

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UNITED AIR LINES, INC.

DATED: February 11, 1999

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

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AMERICAN AIRLINES, INC.)	Docket OST-98-4328
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and)	and
FINNAIR OYJ)	Undocketed
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under 49 U . S .C. §40 109 for exemption (U. S.-Riga,)	
Latvia; Tallin, Estonia; and St. Petersburg, Russia)	
via Helsinki (code sharing with Finnair Oyj)))	

DATED: February 11, 1999

CONSOLIDATED ANSWER OF UNITED AIR LINES, INC.

United Air Lines, Inc. ("United") submits the following consolidated answer to the motions of American Airlines ("American") dated February 2, 1999, in the above-captioned proceedings and the joint application of American and Finnair for statements of authorization, as amended, February 2, 1999:

1. By their various amendments and motions, American and Finnair seek approval of the deferred portion of their previously filed code share relating to Finnair's services between Helsinki and St. Petersburg. They also amend these applications to add a request for authority to

allow American to display its code on Finnair's flights between Helsinki and Moscow. They propose a daily code-share flight in each Russia market, connecting to a daily Finnair flight between New York and Helsinki on which American also code shares. American also requests amendment of its allocation of seven U.S.-Russia combination frequencies that were awarded to support its proposed Chicago-Moscow nonstop service effective June 1, 1999, in order to use those frequencies to support its 14-weekly Helsinki-Russia code-share services.

2. United is authorized to offer code-share services to Russia via Frankfurt in conjunction with Lufthansa. Orders 94-4-43, 96-3-37, 98-1-17 and 98-4-8. United has been allocated seven U. S.-Russia combination service frequencies to support 14 weekly services between the U. S. and Russia via Frankfurt. Order 96-10- 1. United successfully offered code-share services under this authority in 1994-95 but was forced to terminate service in the summer of 1995 due to refusal by the Russian government to renew United's authority. That refusal was subsequently determined by the Department to be a violation of the International Air Transportation Fair Competitive Practices Act. Order 98-2-3.

United continues to hold the necessary underlying authority (including certificate authority, designation and frequency allocation) and Lufthansa holds the necessary statement of authorization to code share for United between Frankfurt and Moscow. United has been advised that late last week the governments of Russia and Germany resolved the dispute which was the

source of Russia's 1995 refusal to renew United's code-share authority.' United's U.S.-Russia frequency allocation is subject to a dormancy condition which starts to run 90 days from "the date on which the Government of the Russian Federation permits United to restore its authorized code-share services with Lufthansa in the U.S.-Russia market." Order 96-10- 1 at 3. Consistent with the requirements of the dormancy condition and based on the recent Germany/Russia accommodation, United is already fully authorized to provide code-share services with Lufthansa between the U.S. and Moscow via Frankfurt and should be treated like an incumbent carrier for purposes of future code-share operations to Russia. .²

3. Under the new U.S./Russia agreement on code sharing concluded last month, the U.S. will be limited to five third-country code-share arrangements involving services to Russia. Only three such arrangements may begin services immediately, with the remaining two to be operated as of January 22, 2000. In addition to United's code-share service with Lufthansa, which as noted above is already fully authorized and was operated for so long as the Russian Federation permitted, there are two other third-country code-share arrangements already in place

¹ Based on the Russia/Germany accommodation, United yesterday moved to dismiss its IATFPCA complaint against the Russian Federation.

² To the extent that United's allocation of seven U.S.-Russia combination frequencies is not currently being used, that is due to the unlawful actions of the Russian government, not to any decision on United's part. United is prepared to put those frequencies back to use as quickly as possible in light of the resolution of the dispute between Germany and Russia as well as the new U.S./Russia agreement. The frequency allocation is not, in any event, "dormant" under the applicable conditioning language in the Department's allocation order.

– Northwest/KLM via Amsterdam with 8.5 frequencies and Delta/Swissair via Zurich with 8.5 frequencies. Orders 96-10-1 and 97-7-33.³

4. In this regard, it should be noted that United was authorized to offer 14 weekly code-share frequencies between Frankfurt and Moscow under the previous U. S./Russia code-share agreement. Northwest is currently operating 10 weekly Amsterdam-Moscow code-share frequencies and Delta, 14 weekly Zurich-Moscow code-share frequencies.⁴ All of these Moscow services exceed the maximum of seven weekly code-share frequencies per city pair allowed under the new U.S./Russia agreement.

The Department must address the issue of whether such Moscow city-pair frequencies in excess of the bilateral limit are to be allowed to continue notwithstanding the terms of the new agreement. There is no provision in the new U. S./Russia agreement for “grandfathering” historic operations at levels in excess of the agreed city-pair limits. If the

³ Delta also holds certain U.S.-Russia frequency allocations for code-share services via Vienna and Brussels with Austrian Air and SABENA, respectively. These services have not been implemented due to refusal by the Russian government to grant the necessary approvals, and it is highly doubtful that Delta would be able to implement them under the more restrictive terms of the new agreement. See Order 97-1 1-19. Because Delta’s U.S.-Russia frequencies are related to three different code-share arrangements, it is not entirely clear how many frequencies are actually allocated to the Swissair code share.

⁴ Northwest’s code-share services are illustrated in Attachment 1. Delta’s are contained in the **OAG WORLDWIDE** (February 1999) at 1396. In Summer 1999 schedules in CRS displays, Delta’s code share reflects only seven weekly frequencies, indicating Delta’s apparent intention to comply with the limits of the new U.S./Russia MOU.

Russian Federation, however, is to allow Northwest/KLM and Delta/Swissair to exceed the weekly city-pair limit based on their historic operations, then United/Lufthansa should be entitled to the same flexibility based on their own historic operations of 14 weekly code-share frequencies between Frankfurt and Moscow.’

5. American is seeking immediate authority to offer code-share services to Russia via Helsinki in lieu of the direct Chicago-Moscow service it has so often proposed but never operated. American would, therefore, require one of the three third-country code-share opportunities available immediately to U.S. carriers. United opposes the grant of American’s request to the extent it would prejudice United’s ability to exercise its existing third-country code-share authority with Lufthansa. If the Department determines that carrier selection is necessary involving incumbent third-country code shares as well as those involving new arrangements, United’s service with Lufthansa is far superior to that offered by American and Finnair. United and Lufthansa offer nonstop-to-nonstop connections at Frankfurt to Russia from eleven U.S. gateways, as opposed to the single U.S. gateway that would be served by American/Finnair.⁶

Moreover, United would operate nonstop connections in its own equipment between Frankfurt

⁵ The new U.S./Russia bilateral agreement also limits each of the five third-country code-share arrangements to no more than a total of 14 weekly frequencies. When the Delta/Swissair and Northwest/KLM services to St. Petersburg are included in their total operation, each of these partnerships is operating a total of 17 weekly frequencies to Russia, or three more than the allowable weekly limit of 14. See OAG WORLDWIDE, February 1999 at 1394, 1396 for Delta/Swissair schedules and Attachment 1 for Northwest/KLM schedules.

⁶ The United/Lufthansa code share offers nonstop service between Frankfurt and the only U.S. gateway that would be served nonstop from the Helsinki connection point by American/Finnair (New York JFK).

and its hubs at Chicago O'Hare and Washington Dulles, whereas all of the U.S.-Russia flying under the American/Finnair code share would be on services operated by Finnair. In addition, under the new U.S./Russia agreement, United and Lufthansa will expand their services to include other eligible gateways in Russia such as St. Petersburg and Nizhnyi Novgorod to the extent consistent with the new agreement.

6. United urges the Department to defer action on the American/Finnair applications for the time being until the future plans of all potential third-country code-share partnerships (including the incumbents United/Lufthansa as well as Northwest/KLM and Delta/Swissair) under the new agreement are made known. United joins American in urging the Department to issue a notice directing all interested carriers to file applications for U.S./Russia third-country code-share opportunities consistent with the code-share provisions of the new U.S./Russia MOU.⁷ By requiring all interested carriers to file their service proposals on the same date, the Department will ensure equal treatment of all applicants.* At this point, United is prepared to say that it intends to resume code-share services to Moscow via Frankfurt as soon as its authority has been

⁷ See American's answer to Continental's application in Docket OST-99-5049, dated February 10, 1999. Delta has also urged that such a proceeding be started expeditiously. See Consolidated Answer of Delta dated February 10, 1999, in this docket and Docket OST-99-5049.

⁸ All applicants should be required to file their schedules illustrating nonstop-to-nonstop connections between U. S. and Russian gateways.

restored **and** that it will modify those services to include additional points in Russia consistent with the terms of the new U.S./Russia MOU.⁹

Respectfully submitted,



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DATED: February 11, 1999

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⁹ United is currently reviewing its future schedules as well as those of Lufthansa to determine the best connections available between U. S. points and Moscow/St. Petersburg/Nizhniy Novgorod via Frankfurt. Appropriate applications or notices relating to such services will be filed in accordance with the applicable notice specifying dates and content for such submissions.

International Reservations within U.S. and Canada 1-800-447-4747

FWT	DEP	ARR	FLT	EDP	FRO	ST	ML	M	FWT	DEP	ARR	FLT	EDP	FRO	ST	ML	M
Amsterdam, Netherlands AMS									Amsterdam, Netherlands AMS								
LBA	220p	230p	5015	AIR			S	288	VIE	755p	945p	8951	KLM				597
LBA	740p	750p	5017	AIR			S	288	WAW	805a	1005a	8383	KLM	B			888
LCY	735a	735p	4902	AIR	X7		S	209	WAW	725p	925p	8389	KLMX247				686
LCY	1100a	1100a	4983	AIR	X67		S	209	ZRH	805a	935a	8953	M				375
LCY	230p	230p	4986	AIR	X67		S	209	ZRH	1005a	1130a	8957	KLM				375
			EFF 02/22						ZRH	235p	400p	8 9 6 1	KLM				375
LCY	355p	355p	4987	AIR	X6		S	209	ZRH	405p	530p	8963	KLM	X6			375
LCY	555p	555p	4989	AIR	X6		S	209	ZRH	855p	815p	8969	KLM				375
LED	1050a	345p	8395	KLM				333	Inchorage, AK ANK								
LEJ	1030a	1200p	3783	AIR				333	ADO	805a	704a	4030	AIR				252
LEJ	135p	430p	3786	AIR	X67	1		333	ADO	305p	401p	4177	AIR				252
LFW	1240p	905p	8575	KLM	14	1	S	3185	AKN	415p	522p			X135			209
LUX	855a	1010a	8739	KLM				198	BET	805a	720a	4041	AIR	X7			399
LUX	220p	515p	8321	KLM	X6			198	BET	155p	310p	4043	AIR				399
LUX	405p	925p	8749	KLM				198	BET	550p	706p	4045	AIR				399
LYS	1030a	1210p	8249	KLM				455	BRW	830a	927a	4143	AIR				B 725
LYS	200p	340p	8253	KLM				455	BRW	335p	639p	4145	AIR				D 725
LYS	705p	855p	8259	KLM				455	BRW	420p	824p			135	2		S 725
MAN	715a	745a	4921	AIR			B	304	CDV	307p	403p	4086	AIR				180
MAN	940a	1000a	4923	AIR			B	304	DLC	415p	623p	4122	AIR	X135			329
MAN	1135a	1150a	4925	AIR	X7		S	304	DUT	1002a	1213p	4020	AIR				B 792
MAN	150p	210p	4927	AIR			S	304	DUT	155p	412p	4022	AJR				L 792
MAN	430p	450p	4929	AIR	X6		S	304	FAI	830a	725a						S 261
MAN	715p	735p	4931	AIR			S	304	FAI	855a	752a	4089	AJR	X7			261
MAN	920p	935p	4933	AIR	X6		S	304				USC 02/13					
MCT	1045a	1020p	8441	KLM	3	1	S	3421	FAI	700a	755a	4180	AIR	X7			261
MCT	720p	520a	8425	KLM	7		S	3421	FAI			EFF 02/14					
MCT	740p	540a	8425	KLM	X137		S	3421	FAI	932a	1031a	4081	AIR				261
MEM	345p	640p	8625	KLM				4544	FAI	105p	157p	4097	AIR				261
MIA	4110p	1202a	49	D10		1	D	4833				DISC 02/13					
MLH	1010a	1155a	8317	KLM				749	FAI	140p	235p	4097	AIR				261
MLH	200p	340p	6319	KLM				349				EFF 02/14					
MLH	405p	640p	6321	KLM	X6	1		349	FAI	335p	438p	4 1 4 5	AIR				261
MLH	650p	825p	8327	KLM				349	FAI	420p	519p	4147	AIR	135			261
MME	930a	945a	5045	AIR			B	298	FAI	445p	541p	4093	AIR				261
MME	220p	235p	5047	AIR	X6		S	298				EFF 02/14					
MME	745p	800p	5049	AIR	X6		S	298	FAI	508p	601p	4093	AIR				261
MMX	805a	1005a	8173	KLM				416				USC 02/13					
MMX	1025a	1225p	8175	KLM				416	FAI	816p	910p	4 1 5	AIR				261
MMX	140p	335p	8177	KLM				416	FAI	850p	943p	4115	AIR				261
MMX	705p	900p	8183	KLM				416				EFF 02/14					
MSP	150p	729p	39	D10		1	D	4186	FAI	1005p	1058p	4087	AIR				261
us?	420p	610p	8666	KLM				4186				DISC 02/13					
MST	745a	825a	3631	AIR	X67			108	FAI	1015p	1112p	4197	AIR				261
MST	905a	945a	3631	AIR	X67			108				EFF 02/14					
MST	1020a	1100a	3631	AIR	X67			108				DISC 02/13					
MST	140p	220p	3635	AIR				106	JNU	753a	933a	4082	AIR				B 571
MST	420p	500p	3637	AIR				106	JNU	1205p	139p	4084	AIR				L 571
MST	845p	725p	3639	AIR	X67			108				EFF 02/14					
MST	740p	820p	3639	AIR	X67			106	JNU	1220p	154p	4084	AIR				L 571
MST	1000p	3641	AIR	X67				108				DISC 02/13					
MUC	850a	1020a	8791	KLM			S	421	JNU	307p	630p	4086	AIR	2	S		571
MUC	155p	320p	8795	KLM			S	421	JNU	744p	932p	4070	AIR				D 571
MUC	540p	710p	8797	KLM	X6		S	421	KTN	753a	1222p	4082	AJR	7	B		774
MUC	820p	945p	8803	KLM			S	421	LAX	120a	900a	4100	AIR				B 2345
NBO	1035a	925p	8586	KLM			S	4139				R F 0307					
NCE	1010a	1210p	8283	KLM				608	LAX	130a	900a	4194	AIR	X7	1	B	2345
NCE	300p	455p	8287	KLM				608				DISC 02/13					
NCE	420p	620p	8289	KLM	67			608	LAX	815a	204p	4190	AIR		1	B	2345
NCE	935p	1025p	8273	KLM				608				EFF 02/14					
NCL	730a	755a	5033	AIR			B	325	LAX	645a	218p	4084	AIR		1	B	2345
NCL	935a	950a	5035	AIR			B	325				DISC 02/13					
NCL	155p	215p	5037	AIR			S	325	LAX	1130a	715p	4086	AIR		1	L	2345
NCL	430p	455p	5039	AIR	X6		S	325				DEC 02/13					
NCL	730p	745p	5041	AIR				325	MCO	950p	1132a	844	757				D 3816
NUE	855a	1025p	3717	AIR				337	MSP	950p	805a	814	757				D 2518
NUE	135p	255p	3711	AIR	X67			337	OME	835a	812a	4053	AJR	X7			B 539
NUE	135p	310p	3711	AIR	67			337	OME	928a	1101a	4191	AIR	X135			B 539
NUE	400p	535p	3715	AIR				337				DISC 02/13					
NUE	735p	905p	3719	AIR				337	OME	930a	1100a	4057	AIR	X135			B 539
NWI	930a	930p	5023	AIR			B	149				EFF W14					
NWI	150p	150p	5027	AIR			S	149	OME	440p	810p	4159	AIR	135			D 539
NWI	600p	600p	5029	AIR	X67		S	149	OME	440p	732p	4153	AIR	X135	1		D 539
NWI	730p	730p	5029	AIR	67		S	149	OTZ	715a	849a	4051	AIR				B 549
NWI	910p	910p	5031	AIR	X67		S	149	OTZ	928a	1101a	4150	AIR	135			B 549
ORD	205p	355p	8811	KLM				4120				DISC 02/13					
OSL	800a	950a	8141	KLM			S	584	OTZ	930a	1101a	4083	AIR	135			B 549
OSL	955a	1140a	8143	KLM			S	584				EFF 02/14					
OSL	135p	320p	8145	KLM			S	584	OTZ	440p	613p	4153	AIR	X135			D 549
OSL	425p	615p	8147	KLM	X6		S	584	OTZ	440p	729p	4159	AIR	135	1		D 549
OSL	845p	820p	8151	KLM			S	564	PDX	120a	600a	4190	AIR				1542
PAD	945a	1040a	3721	AIR				171				EFF 0307					
PAD	125p	225p	3723	AIR				171	PSG	1205p	303p	4084	AIR				L 677
PAD	345p	515p	3725	AIR			1	171				EFF 02/14					
PAD	725p	855p	3729	AIR			1	171	PSG	1220p	315p	4084	AIR				L 677
PHX	1100a	529p	67	D10		1	D	3737				DISC 02/13					
PRG	910a	1040a	6351	KLM				439	SCC	1115a	1255p	4055	AIR	135	1		L 627
PRG	200p	330p	8355	KLM			S	439	SCC	420p	659p	4147	AIR				S 627
SAH	1100a	930p	8435	KLM	387	1	S	3331	SEA	1230a	502a	4110	AIR				1448
SEA	1045a	1150a	35	D10			D	4896	SEA	100a	517a	4158	AIR				1446
SEA	150p	1025p	39	D10		2	D	4896	SEA	130a	547a	4194	AIR	X7			1448
SFO	1145a	205p	8606	KLM				5473				DISC 02/13					
STN	715a	715p	4901	AIR	X7		B	195	SEA	140a	557a	4194	AIR				1448
STN	945a	945a	4903	AIR			B	195				EFF 02/15					
STN	1130a	1140a	4905	AIR	X6		S	195	SEA	200a	628a	4198	AIR				1448
STN	145p	145p	4907	AIR			S	195	SEA	815a	1038a	4190	AIR				B 1448
STN	340p	340p	4909	AIR	X7		S	195	SEA	845a	1113a	4084	AIR				B 1

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Consolidated Answer of United Air Lines, Inc. on all persons named on the attached Service List by causing a copy to be sent via first-class mail, postage prepaid.


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DATED: February 11, 1999

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